GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3592
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IMPACT OF ECONOMIC CRISIS OF GREECE
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Will the Minister of FINANCE be pleased to state:

(a) the extent to which economic crisis of Greece is likely to impact the Indian financial market;

(b) whether there is a consensus among the countries where EURO is an official currency that the total Budget deficit should not be more than three per cent of the Gross Domestic Production (GDP) but the Budget deficit of Greece, also a EURO currency country, has crossed 12 per cent which has led to an acute financial crisis; and

(c) the manner in which Indian economy is likely to be affected by the aforesaid crisis and the steps being taken by the Government to deal with the same?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (c): The economic crisis in Greece would not have any specific impact on the Indian financial market. The Indian banking system, by and large, remained unscathed even in the recent financial crisis. This may be seen from the following facts -

During the nine months period ending on 19.12.2008, total Bank Credit of the Scheduled Commercial Banks (SCBs) rose from Rs.2361,914 crore to Rs.26,43,734 crore; whereas during the nine months period ending on 18.12.2009, total Bank Credit of the SCBs rose from Rs.27,75,549 crore to Rs. 29,41,293 crore.

Gross NPAs to Gross Advances of the Public Sector Banks (PSBs) was 2.36% as on 31.12.2009 in comparison to 2.09% as on 31.03.2009 and 2.34% as on 31.03.2008. In case of New Private Sector Banks, Gross NPAs to Gross Advances was 3.39% as on 31.12.2009 in comparison to 3.55% as on 31.03.2009 and 2.90% as on 31.03.2008. In case of Old Private Sector Banks, Gross NPAs to Gross Advances was 2.51% as on 31.12.2009 in comparison to 2.36% as on 31.03.2009 and 2.26% as on 31.03.2008.

Further, RBI took a number of regulatory and supervisory measures in the wake of the Global financial crisis, which included restructuring of advances, improving asset quality of the banks and better Non-Performing Asset (NPA) management in banks including the discussions held with banks on the Annual Financial Inspection Reports, etc.